

117TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To amend the Higher Education Act of 1965 to provide for the refinancing of certain Federal student loans, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

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\_\_\_\_\_ introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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## **A BILL**

To amend the Higher Education Act of 1965 to provide for the refinancing of certain Federal student loans, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Coronavirus Emer-  
5 gency Student Loan Refinancing Act”.

6 **SEC. 2. REFINANCING PROGRAMS.**

7 (a) PROGRAM AUTHORITY.—Section 451(a) of the  
8 Higher Education Act of 1965 (20 U.S.C. 1087a(a)) is  
9 amended—

1 (1) by striking “and (2)” and inserting “(2)”;

2 and

3 (2) by inserting “; and (3) to make loans under  
4 section 460A” after “section 459A”.

5 (b) REFINANCING PROGRAM.—Part D of title IV of  
6 the Higher Education Act of 1965 (20 U.S.C. 1087a et  
7 seq.) is amended by adding at the end the following:

8 **“SEC. 460A. REFINANCING FFEL AND FEDERAL DIRECT**  
9 **LOANS.**

10 “(a) IN GENERAL.—Beginning not later than 30  
11 days after the date of enactment of the Coronavirus Emer-  
12 gency Student Loan Refinancing Act, the Secretary shall  
13 establish a program under which the Secretary, upon the  
14 receipt of an application from a qualified borrower, makes  
15 a loan under this part, in accordance with the provisions  
16 of this section, in order to permit the borrower to obtain  
17 the interest rate provided under subsection (c).

18 “(b) REFINANCING DIRECT LOANS.—

19 “(1) FEDERAL DIRECT LOANS.—Upon applica-  
20 tion of a qualified borrower, the Secretary shall  
21 repay a Federal Direct Stafford Loan, a Federal Di-  
22 rect Unsubsidized Stafford Loan, a Federal Direct  
23 PLUS Loan, or a Federal Direct Consolidation  
24 Loan of the qualified borrower, with the proceeds of  
25 a refinanced Federal Direct Stafford Loan, a Fed-

1       eral Direct Unsubsidized Stafford Loan, a Federal  
2       Direct PLUS Loan, or a Federal Direct Consolida-  
3       tion Loan, respectively, issued to the borrower in an  
4       amount equal to the sum of the unpaid principal, ac-  
5       crued unpaid interest, and late charges of the origi-  
6       nal loan.

7               “(2) REFINANCING FFEL PROGRAM LOANS AS  
8       REFINANCED FEDERAL DIRECT LOANS.—Upon ap-  
9       plication of a qualified borrower for any loan that  
10      was made, insured, or guaranteed under part B, the  
11      Secretary shall make a loan under this part, in an  
12      amount equal to the sum of the unpaid principal, ac-  
13      crued unpaid interest, and late charges of the origi-  
14      nal loan to the borrower in accordance with the fol-  
15      lowing:

16              “(A) The Secretary shall pay the proceeds  
17              of such loan to the eligible lender of the loan  
18              made, insured, or guaranteed under part B, in  
19              order to discharge the borrower from any re-  
20              maining obligation to the lender with respect to  
21              the original loan.

22              “(B) A loan made under this section that  
23              was originally a loan made, insured, or guaran-  
24              teed—

1                   “(i) under section 428 shall be a Fed-  
2                   eral Direct Stafford Loan;

3                   “(ii) under section 428B shall be a  
4                   Federal Direct PLUS Loan;

5                   “(iii) under section 428H shall be a  
6                   Federal Direct Unsubsidized Stafford  
7                   Loan; and

8                   “(iv) under section 428C shall be a  
9                   Federal Direct Consolidation Loan.

10                  “(3) APPLICABLE INTEREST RATE.—The inter-  
11                  est rate for each loan made by the Secretary under  
12                  this subsection shall be the rate provided under sub-  
13                  section (c).

14                  “(c) INTEREST RATES.—

15                  “(1) IN GENERAL.—The interest rate for the  
16                  refinanced Federal Direct Stafford Loans, Federal  
17                  Direct Unsubsidized Stafford Loans, Federal Direct  
18                  PLUS Loans, and Federal Direct Consolidation  
19                  Loans, under this section shall be a rate equal to—

20                  “(A) in any case where the original loan  
21                  was a loan under section 428 or 428H, a Fed-  
22                  eral Direct Stafford loan, or a Federal Direct  
23                  Unsubsidized Stafford Loan, that was issued to  
24                  an undergraduate student, a rate equal to the

1 lowest yield on the 10-year Treasury note in the  
2 preceding 6 months plus 2.05 percent;

3 “(B) in any case where the original loan  
4 was a loan under section 428 or 428H, a Fed-  
5 eral Direct Stafford Loan, or a Federal Direct  
6 Unsubsidized Stafford Loan, that was issued to  
7 a graduate or professional student, a rate equal  
8 to the lowest yield on the 10-year Treasury note  
9 in the preceding 6 months plus 3.6 percent;

10 “(C) in any case where the original loan  
11 was a loan under section 428B or a Federal Di-  
12 rect PLUS Loan, a rate equal to the lowest  
13 yield on the 10-year Treasury note in the pre-  
14 ceeding 6 months plus 4.6 percent; and

15 “(D) in any case where the original loan  
16 was a loan under section 428C or a Federal Di-  
17 rect Consolidation Loan, a rate calculated in ac-  
18 cordance with paragraph (2).

19 “(2) INTEREST RATES FOR CONSOLIDATION  
20 LOANS.—

21 “(A) METHOD OF CALCULATION.—In  
22 order to determine the interest rate for any re-  
23 financed Federal Direct Consolidation Loan  
24 under paragraph (1)(D) under this section, the  
25 Secretary shall—

1                   “(i) determine each of the component  
2                   loans that were originally consolidated in  
3                   the loan under section 428C or the Federal  
4                   Direct Consolidation Loan, and calculate  
5                   the proportion of the unpaid principal bal-  
6                   ance of the loan under section 428C or the  
7                   Federal Direct Consolidation Loan that  
8                   each component loan represents;

9                   “(ii) use the proportions determined  
10                  in accordance with clause (i) and the inter-  
11                  est rate applicable for each component  
12                  loan, as determined under subparagraph  
13                  (B), to calculate the weighted average of  
14                  the interest rates on the loans consolidated  
15                  into the loan under section 428C or the  
16                  Federal Direct Consolidation Loan; and

17                  “(iii) apply the weighted average cal-  
18                  culated under clause (ii) as the interest  
19                  rate for the refinanced Federal Direct Con-  
20                  solidation Loan.

21                  “(B) INTEREST RATES FOR COMPONENT  
22                  LOANS.—The interest rates for the component  
23                  loans of a loan made under section 428C or a  
24                  Federal Direct Consolidation Loan shall be the  
25                  following:



1 July 1, 2020, and ending on June 30,  
2 2021; or

3 “(II) the original interest rate of  
4 the component loan.

5 “(iii) The interest rate for any loan  
6 under section 428B or Federal Direct  
7 PLUS Loan shall be a rate equal to the  
8 lesser of—

9 “(I) the rate for Federal Direct  
10 PLUS Loans for the 12-month period  
11 beginning on July 1, 2020, and end-  
12 ing on June 30, 2021; or

13 “(II) the original interest rate of  
14 the component loan.

15 “(iv) The interest rate for any compo-  
16 nent loan that is a loan under section  
17 428C or a Federal Direct Consolidation  
18 Loan shall be the weighted average of the  
19 interest rates that would apply under this  
20 subparagraph for each loan comprising the  
21 component consolidation loan.

22 “(v) The interest rate for any eligible  
23 loan that is a component of a loan made  
24 under section 428C or a Federal Direct  
25 Consolidation Loan and is not described in



1                    clauses (i) through (iv) shall be the inter-  
2                    est rate on the original component loan.

3                    “(3) FIXED RATE.—The applicable rate of in-  
4                    terest determined under paragraph (1) for a refi-  
5                    nanced loan under this section shall be fixed for the  
6                    period of the loan.

7                    “(d) TERMS AND CONDITIONS OF LOANS.—

8                    “(1) IN GENERAL.—A loan that is refinanced  
9                    under this section shall have the same terms and  
10                    conditions as the original loan, except as otherwise  
11                    provided in this section.

12                    “(2) NO AUTOMATIC EXTENSION OF REPAY-  
13                    MENT PERIOD.—Refinancing a loan under this sec-  
14                    tion shall not result in the extension of the duration  
15                    of the repayment period of the loan, and the bor-  
16                    rower shall retain the same repayment term that  
17                    was in effect on the original loan. Nothing in this  
18                    paragraph shall be construed to prevent a borrower  
19                    from electing a different repayment plan at any time  
20                    in accordance with section 455(d)(3).

21                    “(e) DEFINITION OF QUALIFIED BORROWER.—

22                    “(1) IN GENERAL.—For purposes of this sec-  
23                    tion, the term ‘qualified borrower’ means a bor-  
24                    rower—

1           “(A) of a loan under this part or part B;  
2           and

3           “(B) who meets the eligibility requirements  
4           based on income or debt-to-income ratio estab-  
5           lished by the Secretary.

6           “(2) INCOME REQUIREMENTS.—Not later than  
7           30 days after the date of enactment of the  
8           Coronavirus Emergency Student Loan Refinancing  
9           Act, the Secretary shall establish eligibility require-  
10          ments based on income or debt-to-income ratio that  
11          take into consideration providing access to refi-  
12          nancing under this section for borrowers with the  
13          greatest financial need.

14          “(f) NOTIFICATION TO BORROWERS.—The Secretary,  
15          in coordination with the Director of the Bureau of Con-  
16          sumer Financial Protection, shall undertake a campaign  
17          to alert borrowers of loans that are eligible for refinancing  
18          under this section that the borrowers are eligible to apply  
19          for such refinancing. The campaign shall include the fol-  
20          lowing activities:

21                 “(1) Developing consumer information mate-  
22                 rials about the availability of Federal student loan  
23                 refinancing.

24                 “(2) Requiring servicers of loans under this  
25                 part or part B to provide such consumer information

1 to borrowers in a manner determined appropriate by  
2 the Secretary, in consultation with the Director of  
3 the Bureau of Consumer Financial Protection.”.

4 (c) AMENDMENTS TO PUBLIC SERVICE REPAYMENT  
5 PLAN PROVISIONS.—Section 455(m) of the Higher Edu-  
6 cation Act of 1965 (20 U.S.C. 1087e(m)) is amended—

7 (1) by redesignating paragraphs (3) and (4) as  
8 paragraphs (4) and (5), respectively;

9 (2) by inserting after paragraph (2) the fol-  
10 lowing:

11 “(3) SPECIAL RULES FOR SECTION 460A  
12 LOANS.—

13 “(A) REFINANCED FEDERAL DIRECT  
14 LOANS.—Notwithstanding paragraph (1), in de-  
15 termining the number of monthly payments  
16 that meet the requirements of such paragraph  
17 for an eligible Federal Direct Loan refinanced  
18 under section 460A that was originally a loan  
19 under this part, the Secretary shall include all  
20 monthly payments made on the original loan  
21 that meet the requirements of such paragraph.

22 “(B) REFINANCED FFEL LOANS.—In the  
23 case of an eligible Federal Direct Loan refi-  
24 nanced under section 460A that was originally  
25 a loan under part B, only monthly payments

1           made after the date on which the loan was refi-  
2           nanced may be included for purposes of para-  
3           graph (1).”; and

4           (3) in paragraph (4)(A) (as redesignated by  
5           paragraph (1)), by inserting “(including any Federal  
6           Direct Stafford Loan, Federal Direct PLUS Loan,  
7           Federal Direct Unsubsidized Stafford Loan, or Fed-  
8           eral Direct Consolidation Loan refinanced under sec-  
9           tion 460A)” before the period at the end.

10          (d) INCOME-BASED REPAYMENT.—Section 493C of  
11 the Higher Education Act of 1965 (20 U.S.C. 1098e) is  
12 amended by adding at the end the following:

13          “(f) SPECIAL RULE FOR REFINANCED LOANS.—In  
14 calculating the period of time during which a borrower of  
15 a loan that is refinanced under section 460A has made  
16 monthly payments for purposes of subsection (b)(7), the  
17 Secretary shall deem the period to include all monthly pay-  
18 ments made for the original loan, and all monthly pay-  
19 ments made for the refinanced loan, that otherwise meet  
20 the requirements of this section.”.